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10 Plaintiff CARO-KANN CORPORATION

11
12 UNITED STATES DISTRICT COURT
13 NORTHERN DISTRICT OF CALIFORNIA
14

15 ROGER SCHLAFLY,
16 Plaintiff,
17 v.

18 PUBLIC KEY PARTNERS and
19 RSA DATA SECURITY, INC.,
20 Defendants.

21
22 CARO-KANN CORPORATION,
23 Counterclaim Plaintiff,

24 v.
25 ROGER SCHLAFLY, and RSA DATA
SECURITY, INC.,
26 Counterclaim
27 Defendants.
28

CKC's ANSWER AND COUNTERCLAIM
No. CV 94 20512 SW (PVT)

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RICHARD W. WIERING
CLERK
U.S. DISTRICT COURT
NO. DIST. OF CA. S.J.

No. CV 94 20512 SW (PVT)

ANSWER AND COUNTERCLAIM OF
CARO-KANN CORPORATION TO
FIRST AMENDED COMPLAINT

1 Defendant and Counterclaim Plaintiff CARO-KANN CORPORATION
2 (hereinafter "CKC"), answers the Second and Third Causes of Action
3 in Plaintiff's Amended Complaint ("Complaint") filed herein on
4 December 8, 1994, as follows:

5 1. In answer to paragraph 1 of the Complaint, CKC admits that
6 Mr. Robert Fougner is the Director of Licensing of PKP, and that the
7 business addresses of Mr. Fougner and RSA Data Security, Inc.
8 (hereinafter "RSADSI") are correctly stated. CKC denies each of the
9 remaining allegations of paragraph 1 of the Complaint.

10 2. In answer to paragraphs 2, 3, and 5, inclusive, of the
11 Complaint, Defendant CKC lacks sufficient information or belief upon
12 the subject contained therein sufficient to enable it to answer any
13 of said allegations and, placing its denial on that ground, denies
14 each and every allegation therein.

15 3. In answer to paragraph 4 of the Complaint, CKC admits that
16 RSADSI and Caro-Kann Corporation were, at all times of the
17 Complaint, partners in PKP, that Mr. James Bidzos was the President
18 of PKP, and that Mr. Bidzos is the President of RSADSI. CKC denies
19 each of the remaining allegations of paragraph 4 of the Complaint.

20 4. In answer to paragraph 6 of the Complaint, CKC is without
21 knowledge or information sufficient to form a belief as to the
22 allegations contained therein because the word "control" is vague
23 and ambiguous and on that basis denies each of the allegations of
24 paragraph 6 of the Complaint. In addition, CKC responds that PKP
25 was dissolved on September 6, 1995 and its patent assets returned to
26 the individual partners, and on that basis denies the allegations of
27 paragraph 6 of the Complaint.

1 5. In answer to paragraphs 7 and 8, inclusive, of the
2 Complaint, CKC denies each and every allegation contained therein.

3 6. In answer to paragraph 22 of the Complaint, CKC admits
4 that Exhibit T to the Complaint is copy of a paper, W. Diffie and M.
5 Hellman, "Multiuser cryptographic techniques," with the running
6 footer National Computer Conference 1976, discussing public key
7 cryptography and digital signatures. CKC denies each of the
8 remaining allegations of paragraph 22 of the Complaint.

9 7. In answer to paragraph 23 of the Complaint, CKC admits
10 that Exhibit U to the Complaint is a copy of a paper, W. Diffie and
11 M. Hellman, "New Directions in Cryptography," with the running
12 footer "IEEE Transactions on Information Theory, Vol. IT 22, No. 6,
13 Nov. 1976." CKC denies each of the remaining allegations of
14 paragraph 23 of the Complaint.

15 8. In answer to paragraph 24 of the Complaint, CKC admits
16 that Exhibit V to the Complaint is a copy of a paper, W. Diffie,
17 "The First Ten Years of Public-Key Cryptography," with the running
18 footer "Proceedings of the IEEE, Vol. 76, No. 5, May 1988," and that
19 the filing date for the application for U.S. Patent No. 4,200,770 is
20 listed as September 6, 1977. CKC denies each of the remaining
21 allegations of paragraph 24 of the Complaint.

22 9. In answer to paragraphs 25, 26, and 27, inclusive, of the
23 Complaint, CKC denies each and every allegation contained therein.

24 10. In answer to paragraph 32 of the Complaint, CKC denies all
25 and singular, generally and specifically, each and every allegation
26 contained therein.

27 11. In answer to paragraph 33 of the Complaint, CKC admits
28 that Exhibit R to the Complaint contains the sentence "These patents

1 cover all known methods of practicing the art of Public Key,
2 including the variations collectively known as El Gamal." CKC lacks
3 sufficient information or belief upon the subject contained in the
4 remaining allegations and on that basis denies them.

5 12. In answer to paragraph 34 of the Complaint, CKC admits
6 that Exhibit S to the Complaint is a copy of a letter from PKP. CKC
7 denies each of the remaining allegations of paragraph 34 of the
8 Complaint.

9 13. In answer to paragraph 35 of the Complaint, CKC responds
10 that the paragraph does not state allegations of fact which may be
11 admitted or denied. To the extent that the paragraph sets forth
12 allegations of fact, CKC denies each of the allegations.

13 14. In answer to paragraph 36 of the Complaint, CKC admits
14 that PKP has stated that an encryption system called "ElGamal"
15 infringes patents to which PKP holds exclusive sublicensing rights.
16 CKC is without knowledge or information sufficient to form a belief
17 as to each of the remaining allegations contained in paragraph 36 of
18 the Complaint, and on that basis denies them.

19 15. In answer to paragraphs 37, 38, 39, 42, 44 and 49,
20 inclusive, of the Complaint, CKC lacks sufficient information or
21 belief upon the subject contained therein sufficient to enable it to
22 answer any of these allegations and, placing its denial on that
23 ground, denies each and every allegation contained therein.

24 16. In answer to paragraph 41 of the Complaint, CKC admits
25 that Exhibit W of the Complaint contains the statement "However,
26 there are no mathematical algorithms in the applicants' claims."
27 CKC denies each of the remaining allegations contained in paragraph
28 41 of the Complaint.

1 17. In answer to paragraph 45 of the Complaint, CKC admits
2 that Exhibit O to the Complaint is a copy of a letter dated November
3 20, 1991 addressed to the National Institute of Standards and
4 Technology. CKC is without knowledge or information sufficient to
5 form a belief as to each of the remaining allegations contained in
6 paragraph 45 of the Complaint, and on that basis denies them.

7 18. In answer to paragraph 46 of the Complaint, CKC admits
8 that Exhibit H contains the statement that "The practice of the DSA
9 is described in the Hellman-Diffie, Hellman-Merkle and Schorr
10 patents . . ." Except as specifically admitted herein, CKC denies
11 generally and specifically, conjunctively and disjunctively, each
12 and every allegation contained therein.

13 19. In answer to paragraph 47 of the Complaint, CKC admits
14 that Exhibit AC to the Complaint contains the statement that "RSA .
15 . . PKP . . . have been threatening to sue companies that use DSS,
16 claiming it infringes their patents." CKC denies each of the
17 remaining allegations contained in paragraph 47.

18 20. In answer to paragraph 48 of the Complaint, CKC admits
19 that Exhibit AB to the Complaint contains the statement, "PKP has
20 already threatened to sue any private company that implements DSS
21 without a license." CKC is without knowledge or information
22 sufficient to form a belief as to each of the remaining allegations
23 contained in paragraph 48 of the Complaint, and on that basis denies
24 them.

25 **AFFIRMATIVE DEFENSES**

26 As a separate and affirmative defense to the Second and Third
27 causes of action in the Complaint, Defendant CKC states as follows:

1 **FIRST AFFIRMATIVE DEFENSE TO THE**
2 **SECOND AND THIRD CAUSES OF ACTION**

3 CKC alleges that the allegations in the Second and Third Causes
4 of Action in the Complaint fail to state a cause of action and/or
5 state a claim for which relief may be granted.

6 **SECOND AFFIRMATIVE DEFENSE TO THE**
7 **SECOND AND THIRD CAUSES OF ACTION**

8 CKC alleges that any damages or injuries suffered by Plaintiff
9 were occasioned by his own wrongful actions.

10 **THIRD AFFIRMATIVE DEFENSE TO THE**
11 **SECOND AND THIRD CAUSES OF ACTION**

12 CKC acted at all times in good faith and with a reasonable
13 belief that its actions were proper and valid.

14 **FOURTH AFFIRMATIVE DEFENSE TO THE**
15 **SECOND AND THIRD CAUSES OF ACTION**

16 Plaintiff's claims are barred by the applicable statute of
17 limitations.

18 **FIFTH AFFIRMATIVE DEFENSE TO THE**
19 **SECOND AND THIRD CAUSES OF ACTION**

20 Plaintiff is barred from any recovery on the Complaint herein
21 because CKC was justified and privileged in doing each of the things
22 alleged to have been done, to the extent that such things were done
23 at all.

24 **SIXTH AFFIRMATIVE DEFENSE TO THE**
25 **SECOND AND THIRD CAUSES OF ACTION**

26 Plaintiff's claims are barred, in whole or in part, by the
27 equitable doctrine of unclean hands, laches, waiver and/or estoppel.

**SEVENTH AFFIRMATIVE DEFENSE TO THE
SECOND AND THIRD CAUSES OF ACTION**

Plaintiff is barred from any recovery on the Complaint herein because he failed to reasonably mitigate his damages although he had a reasonable opportunity to do so.

**EIGHTH AFFIRMATIVE DEFENSE TO THE
SECOND AND THIRD CAUSES OF ACTION**

Plaintiff's claims, and each of them, are barred by the failure to join indispensable parties.

**NINTH AFFIRMATIVE DEFENSE TO THE
SECOND AND THIRD CAUSES OF ACTION**

Plaintiff's claims, and each of them, are barred by virtue of the existence of a consent decree.

COUNTERCLAIM

1. United States Letter Patents Nos. 4,218,582 (Hellman-Merkle) and 4,200,770 (Diffie-Hellman) (collectively, the "Stanford Patents") were duly and legally issued to Stanford University or the Board of Trustees of Leland Stanford Junior University. Counterclaimant Plaintiff CKC has exclusive sublicensing rights to said patents.

2. A present and actual controversy has erupted between CKC and the Counterclaim Defendants respecting the validity and enforceability of the Stanford Patents. CKC contends that the patents are valid and enforceable. Counterclaim defendants claim that the patents are invalid and unenforceable, and that they are entitled to practice the inventions claimed in the patents without a license. Accordingly, a judicial declaration regarding validity and enforceability of the patents is required.

1 WHEREFORE, Defendant and Counterclaimant Plaintiff CKC prays as
2 follows:

3 1. That Plaintiff take nothing by reason of his complaint;

4 2. That the Complaint be dismissed with prejudice;

5 3. That judgment be entered in favor of Defendant CKC, and be
6 awarded cost of suit;

7 4. That judgment be awarded in favor of CKC and against the
8 counterclaim defendants, and that this Court enter a decree
9 adjudging United States Patents Nos. 4,218,582 and 4,200,700 to be
10 valid and enforceable.

11 5. Such other and further relief as the Court may deem just
12 and proper.

13 Dated: November 16, 1995

14 MICHAEL M. CARLSON
15 BRYAN J. WILSON
16 JANA G. GOLD
17 MORRISON & FOERSTER

18 PATRICK J. FLINN
19 ALSTON & BIRD

20 By: 

21 Michael M. Carlson
22 Attorneys for Intervenor
23 CARO-KANN CORPORATION
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DEMAND FOR JURY TRIAL

1 Defendant and Counterclaimant Plaintiff CARO-KANN CORPORATION
2 hereby demands a jury trial in this action on all issues triable to
3 a jury.
4

5 Dated: November 16, 1995



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7 Michael M. Carlson
8 Attorneys for Intervenor
CARO-KANN CORPORATION
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PROOF OF SERVICE BY MAIL
(FRCivP 5(b))

I am employed with the law firm of Morrison & Foerster, whose address is 755 Page Mill Road, Palo Alto, California 94304; I am not a party to the within cause; I am over the age of eighteen years and I am readily familiar with Morrison & Foerster's practice for collection and processing of correspondence for mailing with the United States Postal Service and know that in the ordinary course of Morrison & Foerster's business practice the document described below will be deposited with the United States Postal Service on the same date that it is placed at Morrison & Foerster with postage thereon fully prepaid for collection and mailing.

I further declare that on the date hereof I served a copy of:

**ANSWER AND COUNTERCLAIM OF DEFENDANT AND
COUNTERCLAIM PLAINTIFF CARO-KANN CORPORATION TO
FIRST AMENDED COMPLAINT**

on the following by placing a true copy thereof enclosed in a sealed envelope addressed as follows for collection and mailing at Morrison & Foerster, 755 Page Mill Road, Palo Alto, California 94304, in accordance with Morrison & Foerster's ordinary business practices:

**James R. Busselle, Esq.
Thomas E. Moore III, Esq.
Tomlinson, Zisko, Morosoli & Maser
200 Page Mill Road
Palo Alto, CA 94306**

**Thomas R. Hogan, Esq.
Law Offices of Thomas R. Hogan
60 South Market Street, Suite 1125
San Jose, CA 95113-2332**

**Roger Schlafly
P.O. Box 1680
Soquel, CA 95073**

I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Executed at Palo Alto, California, on November 16, 1995.

Frances Macias Sagapolu
(typed)


(signature)